HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 112 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, June 5, 2018

Chair

The Honourable Mark Eyking

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● (0845)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everybody. Welcome to the International Trade committee.

I see some visitors. Welcome. As you will realize, this is not only the most active, fun, and efficient committee on the Hill...what else is there?

Voices: Oh, oh!

A voice: Mercosur.

The Chair: Yes, Mercosur.

Anyway, good morning, everybody. It's a rough-slogging week. We were up late at night, but we're still forging on.

Today we're honoured to again welcome the Minister of International Trade, Mr. Champagne, who is always willing to come before us and tell us what's going on in the rest of the world, and give us some guidance.

You have the floor, sir.

Hon. François-Philippe Champagne (Minister of International Trade): Thank you, Mr. Chair.

[*Translation*]

Dear friends and colleagues, thank you for being here today.

[*English*]

I want to start by thanking our officials who are here: our deputy minister, our chief financial officer, and our chief negotiator on Mercosur. I'd like to thank them for their hard work and for also supporting us this morning in providing answers to all the questions of the members.

If you will allow me, Chair, I'll make a very brief statement and then take questions from the members.

[*Translation*]

I am pleased to be here this morning to discuss with the committee a possible free trade agreement between Canada and Mercosur, an economic bloc consisting of Argentina, Brazil, Paraguay and Uruguay.

I would like to take this opportunity to highlight the committee's excellent initiative in undertaking this study.

As you know, the government strongly believes that the global economy should enable the free flow of products, services and investments according to clear and transparent rules. This is essential for the economic prosperity and well-being of Canadians across the country.

Mercosur, with a population of over 260 million and a combined GDP of over $3 trillion, is an emerging market that is currently difficult for our business people to access. I think the committee has heard from stakeholders on this.

Historically, the Mercosur bloc has been less ambitious than Canada in its trade agreements. It has mainly concluded agreements covering only goods.

Over the past year, Canadians interested in this proposed agreement have shared with us their priorities for negotiations, some of which were brought back before this same committee.

Given its growing middle class and continued development of its services and infrastructures, Mercosur represents a myriad of opportunities to expand and develop our modest bilateral trade relationship, which stood at $8.9 billion in 2017, with Canadian exports of $2.3 billion and imports of $6.6 billion.

That said, simply eliminating tariffs will not be enough to realize the full potential of our trading relationship.

Canadian exporters would all tell you that access to a foreign market must be stable, efficient, transparent and, of course, predictable. No SME could or would run the risk of exporting its goods to the other side of the world to be delayed at customs, or of investing significant capital to gain market share in countries where technical barriers to trade abound.

● (0850)

[*English*]

Our government understands this and is ready to act.

The free trade agreements we are negotiating are not for the sole benefit of companies, whether they be big or small. Our agenda is specifically designed to bring more people into the equation and to give them the tools necessary to compete and win. As Canadians, we know that when we have a level playing field we know how to win. That's part of the Canadian spirit.

More than anything, small and medium-sized enterprises, the main job creators in Canada and the backbone of our nation's economic growth, need to benefit from the free trade agreements. We will negotiate a dedicated chapter on SMEs with Mercosur to guide co-operation between us, to share best practices, and to make information available and, above all, easy to access for small and medium-sized businesses.

I know that this committee has been hearing from a lot of people, but you will always hear me, Chair, talking about how we can make trade real for people, and how we can make trade real for small and medium-sized companies, which definitely need access to this market. We will also work together to raise awareness of the opportunities and the support available to those small and medium-sized businesses across our nation.

Women entrepreneurs, whose businesses mainly operate in the service sector, would benefit from an FTA that increases the predictability that their nationality and/or their gender will not be discriminated against when they engage in international transactions, such as, for example, when applying for permits or licences to provide their services on a cross-border basis.

Guided by the principles and objectives embedded in our progressive trade agenda, our potential free trade agreement with Mercosur will seek to ensure that all segments of society, including those traditionally under-represented—whether they are women entrepreneurs, our youth, indigenous people, or people from the LGBTQ community—will be able to take advantage of the opportunities and benefits created by the agreement. As I said in other fora, I want to make sure that everyone has a seat at the table.

Our government's approach is to ensure that increased trade and investments create opportunities for more people. That applies across the nation. We should be making sure that people in each and every riding in this country can benefit from what we're doing.

The status quo and the old approach to trade are no longer acceptable. We've seen good examples of that very recently. As I often say, trade should be a march to the top, not a race to the bottom. People have given us a broad mandate to engage in trade, but not at the expense of labour standards, environmental laws, or governance principles. Quite the opposite, Canadians expect of us that every time we engage, we raise the bar, whether it's about labour standards, governance principles, or environmental standards. That's how we're making a difference in the world.

At the same time, this initiative presents a strategic opportunity for Canada to further our political relationships and progressive trade agenda with a group of countries that we all know is increasingly looking to play a key role in that very important part of the world. It also supports these countries' efforts to promote good governance and build a better economic future for their citizens.

When I announced the launch of the FTA negotiations with Mercosur counterparts in Paraguay on March 9, we all agreed to work towards an ambitious, inclusive, and progressive FTA. As a matter of fact, I can confirm to you that we already started discussing —thanks to Ana, our chief negotiator—labour, environment, gender, indigenous peoples, and issues with small and medium-sized enterprises at the first round of negotiations, which was held here in Ottawa on March 20 to March 23. I had the chance to meet the chief negotiators from all of the countries and to try to inspire them to make to a difference.

In fact, my very first meeting after launching the negotiations in Paraguay was with trade union representatives. I must thank the Canadian Labour Congress for facilitating those discussions. I will say I was pretty proud, Mr. Chair, to be one of the first ministers of a foreign government to take part in these negotiations. We announced at the start of the negotiations that we would meet with civil society and labour unions. I did this in Paraguay, and I did it in Argentina before, engaging with labour and making sure that in these agreements everyone would be heard, because everyone deserves to be heard.

Back then, I also encouraged negotiators on both sides to consider innovative ways to make this FTA more ambitious and more progressive than any previous agreement negotiated by Canada or Mercosur. I wanted us to create, in other words, the new gold standard of agreement for the South American region. With Mercosur, we aim to secure a comprehensive, progressive, and inclusive FTA that will serve to diversify our markets and capture emerging opportunities for Canadians for decades to come.

In conclusion, this is the long-term vision we have with respect to Mercosur.

● (0855)

[*Translation*]

I would like to thank the committee for inviting me to appear today. I will be pleased to answer your questions.

[*English*]

The Chair: Thank you, Minister, and thank you for being timely. That will give us lots of room to get some good dialogue with the minister. As you've stated, you are open to other questions too, anything on the estimates and Mercosur, and we appreciate that.

Without further ado, we're going to start off with the Conservatives.

Mr. Allison, you have the floor.

Mr. Dean Allison (Niagara West, CPC): Thank you, Mr. Chair.

Minister, thank you very much for being here. You've always made yourself available.

I think when we invited you to talk about Mercosur that was a while ago and then last week happened. So maybe my questions will be more related to some of the other current events. Let's ask the first question on TPP. Thank you very much for the explanatory memorandum that's in the House now.

Do you see an opportunity to get the implementing legislation before the House before we rise for the summer?

Hon. François-Philippe Champagne: I'd like to offer my thanks to you, Mr. Chair, and I'd also like to thank Dean. We've travelled together and I think we see things along the same lines on many issues.

Yes, it is my objective to introduce legislation before the House rises this summer. We also intend to promptly proceed with ratification. We do want to be in the first wave of countries. You remember that with the TPP we need six countries to ratify in order for the agreement to come into force. I think we have heard from many sectors of the Canadian economy that they would want Canada to be part of that first grouping so that we are sure to benefit from the first mover advantage, and I'm determined to look forward to that.

Mr. Dean Allison: Great.

Do you see us possibly being able to have this ratified in the fall when we come back?

Hon. François-Philippe Champagne: My objective, as I said, is to introduce legislation before the House rises this summer. Obviously, the parliamentary process will have to follow its course. We certainly want to work expeditiously to be in that first grouping of countries, and we are talking with other countries of the CPTPP to see that we are in the first wave.

Mr. Dean Allison: Thank you.

On aluminum and steel tariffs, I had a chance to meet with 12 of the largest steel producers in the country yesterday. I know that your Prime Minister also met with them as well.

We have two tables, obviously. They're wondering why we can't immediately implement the tariffs on steel and aluminum, given the fact that right now they're at a bit...I say a bit, but they are at a huge disadvantage when it comes to tariffs. That whole month being open can have cheap stuff flooding into our country. They are very concerned. It's a very critical state, and I know you know this.

Have you any thoughts on being able to revisit those immediate tariffs and to do something about that?

Hon. François-Philippe Champagne: Thanks for this question.

As you know, we're all seized with that. This is team Canada addressing the issue. I was at the G7 on aluminum yesterday in Montreal, and I will be meeting with representatives of the steel industry today.

We have had a very quick and strong response to a very bad decision from the U.S. administration when it comes to steel and aluminum. As you know, there are two tables. One will impose countervailing measures of 25% on steel and aluminum coming from the U.S. Table two is with respect to some finished goods products, some consumer products.

The reason we have launched a consultation is to make sure we select products that won't have a negative impact on our competitiveness. We need to make sure that these products are easily substitutable with Canadian products or products from other countries, to make sure we are not creating a situation of our being uncompetitive for manufacturers.

We need to make sure that the products on the list are easily sourceable from Canadian sources so that we retain our competitiveness. That's why we have launched this process. We are looking forward to the consultation to make sure that this is exactly the case.

● (0900)

Mr. Dean Allison: I don't think they have a problem with the consultation as much as with the steel and aluminum stuff. I know you were meeting with the aluminum guys yesterday.

The last question, because I only have five minutes, is around direct foreign investment as it relates to pipelines. I know you are a huge promoter of Canada. I've seen you in action, Minister, and I know that's the case.

My concern is around the amount of money we attract in this country. I think the process and the way we handled Trans Mountain has not been helpful in building confidence, especially in our energy sector.

My question is, what more can you do? My concern with energy and the way it revolves around investments is that we're sending the wrong signal to the world that we're possibly not open for energy investment in this country.

The Chair: It will have to be a short answer, Minister.

Hon. François-Philippe Champagne: I would say it is quite the contrary. I think the world has seen the resolve of the Prime Minister and this country to get our resources to market. What is making a difference in the world—a world that is more and more unstable—in talking with investors, is stability, predictability, rule of law, a very inclusive society, and one that cherishes diversity. Those are the things that investors are looking for. Most investors are looking at 10 years, 30 years of return on their investment, and I think Canada is the place of choice.

Last week or the week before, I was with the CEO of Samsung Electronics, which just opened its artificial intelligence hub in Toronto. In chatting with him, he was saying that Canada is the obvious answer.

Working together, strengthening stability and predictability in our country, making sure that we have these trade agreements, making sure that.... As you know, when I talk about Canada, I don't refer to a country of some 36 million people, but a country that now has access to 1.2 billion consumers on a preferential basis, and soon, with the CPTPP, to 1.7 billion. When you add to that the attractiveness of stability, predictability, and rule of law in a world of uncertainty, this is becoming very attractive.

Mr. Dean Allison: Thank you.

The Chair: We are going to move over to the Liberals.

Mr. Dhaliwal, you have the floor.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

Good morning and thank you, Minister, and to your team.

As Dean mentioned, the key element in political representatives is accessibility, and I commend you. You are always accessible.

We have studied CETA on this committee, the CPTPP, and Mercosur. It's highly unlikely that we would be able to sign NAFTA before the end of the year.

When we look at the other agreements, or reaching out to other nations for agreements, could you tell us how these agreements will leave Canadians in a favourable position?

Hon. François-Philippe Champagne: Thank you for your kind words. I always try to be accessible despite all the travel, as some colleagues know.

I call it the diversification imperative. When I took the portfolio, the first thing was obviously realizing that the U.S. will always be our largest trading partner. More than 70% of our exports go to the U.S. because of the proximity of the markets and, obviously, the size of the U.S. economy.

At the same time, I think that Canadians now understand more than ever that Canada represents 0.5% of the world population and about 2.5% of global trade, so opening markets is just a smart thing to do. That's what we've done in Europe with CETA. As you know, on September 21, this agreement came into force, opening up a market of 500 million consumers and making $3.3 trillion in public procurement available to small and medium-sized businesses in Canada.

At the same time, we looked at the Asia-Pacific region, and the CPTPP for me was a way for Canada to write the rules of trade in the Asia-Pacific for the next couple of decades. That's pretty astonishing if you consider that, in the CPTPP, Canada is the second largest economy after Japan. We have been a key actor to make sure our progressive elements would be incorporated. If you look at the 22 suspensions, you will see Canada plays a leading role to make sure we rebalance the agreement in favour of, for example, the intellectual property rules we have in Canada, and with respect to culture, the environment, and labour. I think this is a great achievement for Canada.

At the same time, obviously, we're looking at the Pacific alliance, which includes the countries of Mexico, Chile, Colombia, and Peru. We already have FTAs with them, but we're trying to improve them, to modernize them for the 21st century.

With respect to Mercosur, if you took Mercosur as a bloc, that would be the fifth largest economy in the world, about 260 million people.

I think what we're doing is looking north-south and east-west to make sure Canada has preferential market access. I think this is a key differentiator. I can tell you that when investors talk to me, they do look at these agreements to see how they can access these markets. At the same time, it's our way to move the needle with respect to progressive trade. We did that with Israel, as you may have seen recently, modernizing the FTA and having the first ever gender chapter in the world that is subject to dispute resolution.

At the same time as we're expanding, we're moving the needle and making sure trade is in line with the values of Canadians and ready for the 21st century.

● (0905)

Mr. Sukh Dhaliwal: You mentioned gender equality in one of your recent ones. Are there any other agreements that are paying attention to or will benefit particularly women entrepreneurs?

Hon. François-Philippe Champagne: I would say everywhere we can make a difference. I did it at the last WTO meeting in Buenos Aires. We had the mini ministerial meeting just a few days ago in Paris, but the last full meeting was in Buenos Aires in Argentina, where Canada was one of the countries that sponsored a declaration that would prevent countries from discriminating on the basis of gender when issuing a permit or government authorization. I think it's just common sense. We gathered some 120-plus countries. Sadly enough, we didn't have unanimity, despite the fact we're in 2018, so we still have a lot of work to do.

For example, I think what we've done with Israel to have a gender chapter, which would be subject to dispute resolution, is another step in the right direction.

This is a journey. I think every time we move the needle, we push the boundaries of international law, as we've done with labour, as we've done with the environment. If you look at gender, I think you would hear from colleagues around the world that they have started thinking this is now the standard we need to have in modern trade agreements. I know the European Union and others are also looking to have that in their agreements.

This is how Canada can make a difference in the world, opening up markets but at the same time making sure trade is in line with the values of Canadians.

The Chair: Thank you, Minister.

We're going to move to the NDP.

Welcome, Mr. Blaikie. You have the floor for five minutes.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I'm going to circle back quickly to Mr. Allison's question about the TPP enabling legislation. I think we heard clearly that you're planning to table it before the end of the summer, but I didn't hear you'd pass it before the end of the summer.

Can I take that as a commitment that your government is not going to use time allocation before the end of the summer to pass the TPP enabling legislation?

Hon. François-Philippe Champagne: I think you can take it from my words: I think the technical term is that we will introduce legislation before the House rises this summer.

Mr. Daniel Blaikie: But it won't be passed?

Hon. François-Philippe Champagne: Sorry?

Mr. Daniel Blaikie: But time allocation won't be used to pass it before summer?

Hon. François-Philippe Champagne: I can say we will introduce legislation and we will respect the parliamentary process as it should be.

Mr. Daniel Blaikie: Is that a yes or a no?

Hon. François-Philippe Champagne: It's as clear an answer as one can give.

Mr. Daniel Blaikie: Well, you're the government, so it's the government that decides whether time allocation is used or not, so I think it's fair to ask you, as the responsible minister, whether there are plans—

Hon. François-Philippe Champagne: I appreciate it's a fair question, and my answer is as fair as your question.

I'm saying we will introduce legislation and we will follow the parliamentary process. Our intention is to have it done promptly, because I think there would be SMEs in your own riding, and certainly workers in your own riding, who would benefit from having an expanded market.

Mr. Daniel Blaikie: There is not a person in my riding who says time allocation should be used to pass enabling legislation for the TPP before the summer.

Hon. François-Philippe Champagne: I'm sure if you were to talk to your constituents, you would find some of them would say that having a trade agreement open up the market in the Asia-Pacific is something they would benefit from.

Mr. Daniel Blaikie: All I'm talking about is before summer. I'm not talking about not passing the legislation in the fall.

Hon. François-Philippe Champagne: I can only tell you we will introduce legislation, and we will proceed expeditiously with the rest.

Mr. Daniel Blaikie: Well, that's a disappointing answer. I hear more people in my riding talk about concern about government abusing time allocation than I do people saying that TPP enabling legislation has to be passed by a certain deadline.

We'll have to agree to disagree on that, but I was hoping to get a commitment here today.

I'm also wondering why it is that workers should feel that they can trust your government when it comes to defending their rights in trade agreements. My understanding is that prior to the election of Donald Trump, you were meeting with representatives from the building trades who were highlighting important problems with chapter 12 of the TPP. The line at that time was that you agreed very much, but geez, it was too bad that the TPP was already negotiated and was a done deal. Then there was an opportunity to renegotiate TPP, and chapter 12 didn't change.

Chapter 12, of course, reproduces a lot of the worst abuses of the temporary foreign worker program. It's going to allow companies to bring workers in under all sorts of categories without any vetting, tracking, or standards assessment by Canadian governments, whether provincial or federal.

I'm wondering why it is workers should feel that they should trust you when you, at one point, or your government, certainly, were admitting the problems with chapter 12, and then completely passed up the opportunity to do anything about them when the negotiations for CPTPP came around.

● (0910)

Hon. François-Philippe Champagne: Thank you for the question. I appreciate it, because labour is probably the group I meet with the most often.

As I said, when we did Mercosur, I was the first minister of a foreign government to meet with labour in that country regarding a trade agreement. It was the same thing in Argentina.

I also hosted the L7 in Ottawa.

Mr. Daniel Blaikie: Be more focused on the results, rather than window dressing.

Hon. François-Philippe Champagne: Yes, I'll come to your question. I met with Canada's Building Trades Unions, and I even spoke at their conference. What we're doing is taking on board what they wanted. What they wanted was stellar enforcement of the rules we have. We want labour mobility, but certainly we want to preserve the integrity of the labour market in Canada. We have agreed with them on a way forward, and we're looking with our civil service at how we can implement what we've been discussing.

Mr. Daniel Blaikie: Part of the problem is that this wording isn't in the agreement, so the agreement is very explicit that Canadian governments won't require any kind of standards qualification.

Hon. François-Philippe Champagne: I would challenge you on that, and I'll refer you to the text. The text is very clear that people who come into this country would have to pay the same labour rates as we have. They need to come with experience, they need to have specialized skills, and we're working with the building trades. The concern they had—

Mr. Daniel Blaikie: The text of the agreement says:

> Canada shall grant temporary entry and provide a work permit or work authorisation to [these workers]...and will not:
>
> (a) require labour certification tests or other procedures of similar intent as a condition for temporary entry; or
>
> (b) impose or maintain any numerical restriction relating to temporary entry.

I think that's pretty clear in terms of Canada's right to impose any kind of test on the qualification of workers coming into Canada. Wouldn't you agree, Minister?

Hon. François-Philippe Champagne: I'm quite familiar with the text, by the way. What I can say is that what we've agreed to with the Building Trades Unions is to make sure that the enforcement, which is their concern.... I met with them, so—

Mr. Daniel Blaikie: So, why is it—

The Chair: Mr. Blaikie, your time is up. We're going to move on.

I remind members that there's nothing wrong with a bit of debate, and the minister can handle himself, but I'd like to see some respect back and forth for giving time for the minister to answer the questions. Have your questions lined up, and—

Hon. François-Philippe Champagne: If you want me to answer, I'm happy to answer.

The Chair: No, we're going to move over to the Liberals. If there's time in the next round, we can entertain that question again.

Madame Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much, Mr. Chair.

Good morning, everyone. It is a pleasure for us to have you here today.

Mr. Minister, I have five minutes and two questions to ask you.

We studied Mercosur and the Pacific Alliance. We met with several witnesses. Earlier, you mentioned that you wanted the Mercosur agreement to become the benchmark for potential agreements throughout South America. What does this mean for you?

You talked about a progressive trade agenda. I'd like to hear more about that. Knowing that there is currently some political instability in South America, I would like to know what effect this may have on the negotiations.

Hon. François-Philippe Champagne: Thank you for the question.

Ms. Renart will be able to speak to you in more detail about our meeting with the negotiators, but when we started negotiating, our basic principle was to have an ambitious and modern agreement that would serve as a model. We didn't just want to replicate what already existed, but to try to establish a progressive model agreement in South America that would set the tone. That is sort of what we have done in the case of the free trade agreement with Europe, the CETA, with regard to the chapters on the environment and labour law, for example. We have done the same about corporate social responsibility and the rules that will govern SMEs. In other words, we want to have an agreement in this part of the world that will incorporate the best elements that have been developed in international agreements.

The underlying objective is that everyone, both trade unions and civil society, feel that they are part of this effort to set the tone.

For example, Uruguay is a very progressive country. It was the first country in the world, along with Chile, to have a free trade agreement that included a chapter on gender equality. Canada was the second country in the world to do so, thanks to the Canada-Chile Free Trade Agreement. Now we want to inspire other Mercosur trading bloc countries to adopt the same practices. This would not only make it possible to have an agreement that meets the demands of civil society there, but also to set the tone.

As I said earlier to our colleague Mr. Blaikie, it was a great first to meet the unions and civil society from day one. As you can imagine, it was a great first for Paraguay that a minister from a foreign government met with the unions on the first day. It was the same thing in Argentina. It set the tone. Of course, these people talk to their national elected officials. In my opinion, the circumstances were right for this part of the world to have one of the most progressive agreements.

● (0915)

Ms. Linda Lapointe: Thank you.

My second question is on another topic.

Yesterday morning, before I happily came to Ottawa, I listened to what you had to say during your appearance on *RDI Matin*. On the weekend, you gave an interview following the meeting of OECD ministers. As my colleagues said earlier, we are facing tariffs imposed by the south. Like you, I come from Quebec, where there are many industrial establishments that process both steel and aluminum.

I would like you to discuss what you talked about yesterday on *RDI Matin*. What would you like us to know about all this?

Hon. François-Philippe Champagne: Thank you for the question.

Yesterday I returned from the OECD/World Trade Organization ministerial meeting, which was held in Paris over the last few days and where tariffs were announced. I can say that Canada has had a strong response to this very bad decision by the United States. Beyond disappointment, the reaction of global partners was to feel that the global economic order was under threat. In Paris, there was a rather serious feeling that, for the first time, national security was being used to promote protectionism. Obviously, this caused some emotion among the partners.

Canada and the European Union have worked together to send a clear message to their allies and partners to the south. Canada is not the problem; it is part of the solution.

As I have often said, a decision made on one side of the border will have repercussions on both sides. Let's take the aluminum issue as an example. Three major aluminum producers have plants on both sides of the border. Of course, what is rather unusual in the case of Canada and the United States is the integrated nature of supply chains. That's why the Canadian exception, as I call it, is unique: there are no other economies that are as integrated as ours. That's why Canada had a very strong response and argued that these tariffs would have an impact.

The retaliatory measures taken are the most significant since 1930, since the Second World War. In my opinion, the message is quite strong and it is certainly clear: Canada, while being an ally and partner of the United States, certainly cannot understand being charged rates based on national security.

In the steel sector, the Americans have a $2 billion surplus. Canada is the largest purchaser of American steel. Obviously, the whole issue of national security has no place in a discourse between Canada and the United States. The message we sent is that we will always be there to defend the industry and our workers.

We have invested nearly $30 million. A few weeks ago, the Prime Minister announced, to ensure or reaffirm the integrity of our border and our market, the addition of some 40 officers at the border to ensure that no steel or aluminum transshipments are made in Canada. Obviously, we will continue to work to protect our workers.

This is a very important industry in Quebec that, as I recall, represents 8% of exports. Yesterday, I attended the Aluminium Summit to reassure our partners that we will work together and will always be there to defend their interests.

[*English*]

The Chair: Thank you, Minister.

[*Translation*]

Ms. Linda Lapointe: Thank you very much.

[*English*]

The Chair: We're going to move to the second round. We'll start with Mr. Fonseca.

You have the floor, sir.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for being here.

In your opening remarks you mentioned that any business, any group, in Canada should be able to partake in the opportunities that international trade provides. I know you have had a laser focus on this, for some groups in particular, be they women, indigenous peoples, LGBTQ2. You are setting up a number of trade missions. Who will be going on those trade missions, be it with women, with the LGBTQ2, with indigenous peoples? When will they be taking place, and what are you looking to achieve?

● (0920)

Hon. François-Philippe Champagne: I want to recognize Pamela Goldsmith-Jones, my extraordinary parliamentary secretary. She's been a key champion of all our missions, particularly the women's trade mission. We will have one in Detroit this month. This is not the first trade mission led by a woman in Canada's history, but it's certainly a very important one. At the same time, we announced that we will have the first ever LGBTQ2 trade mission in Philadelphia later this month, and we will have the first indigenous trade mission in Canada's history coming up in New Zealand, at the indigenous congress.

The reason is very simple. Whilst we do trade missions, which are focused on sectors—I did one with the Prime Minister in Paris where it was about artificial intelligence and green technologies—at the same time we want to make sure that everyone has a seat at the table, that everyone gets the benefit of international trade and gets to learn about these agreements and the potential they offer. Our job, my job, is to convert paper into prosperity, to convert these agreements into jobs, into book orders, into opportunities for people. We realized that there were some people who were under-represented in international trade, and we're trying to address that proactively. At the same time, we're doing trade missions and favouring the sectors we know—I've been talking about our clusters, whether it's artificial intelligence, ocean technology, plant proteins, the digital economy—making sure Canada is known for both its natural resources and the superclusters that we have established and will favour significant investment.

Mr. Peter Fonseca: Thank you very much.

I want to change gears and go to Canada and Mercosur. You cited that you had your first meetings on Canada and Mercosur in the third week of March. What was discussed in those meetings? What was on the table, the top issues?

Hon. François-Philippe Champagne: I would say it's making sure that we will write history in having the most progressive, inclusive, and modern agreement in the hemisphere. Uruguay, as I said, is a very progressive government. Paraguay is wanting to come on board. Argentina, since the Prime Minister met with President Macri, has set the tone. There are also our Brazilian colleagues.

What we've heard from our consultation, and I think this committee has heard this, is that there are still a number of barriers we need to address when it comes to trade. For example, I've met with Magna. We were talking about some of the challenges the auto parts manufacturers face with respect to customs clearance. We heard about issues with respect to bureaucracy that we can try to facilitate for small and medium-sized businesses, as well as about making sure we address issues around non-tariff trade barriers and IP protection. Those were the types of things we talked about in terms of facilitating trade.

The FTAs should be a tool to modernize some of these practices to allow for a freer flow of goods and services. I think you found the same thing with our partners wanting to really seize the moment—I often say that—and be ambitious. That's what I think is reflected. With Ana as our chief negotiator, we have the right person to bring that level of ambition to the table and make sure we all can be proud of an agreement that serves our economic interests as well as the interests of our interested parties and people who have commented on the journey we're taking in these negotiations.

Mr. Peter Fonseca: Minister, on seizing the moment—

The Chair: I don't think you're going to be able to squeeze a question in. I know it's probably a really good one, but we'll move to the Conservatives.

Mr. Carrie, you have the floor.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

I want to thank the minister for being here to take our questions.

I'm going to talk a little bit more about TPP as well.

I come from Oshawa. We build cars, and General Motors is part of the Detroit three. With the original TPP, the negotiations included NAFTA. You're aware of that, how we were going to renegotiate for the entire North American bloc and include these specific countries.

We now have a world of uncertainty. We have some domestic uncertainty. I believe we have that side letter with Japan that talks about the dispute settlement process between Canada and Japan in auto parts. Now that NAFTA's still up in the air, we seem to have a difference of opinion between the Detroit manufacturers and the offshore manufacturers. I was wondering how you see these disputes working their way out when we have TPP. We have a certain set of rules for auto parts, for example, and then NAFTA seems to be going a different way. How do you give solace to our manufacturers, our parts manufacturers, that when we get these two agreements going, they are going to be reconciled?

● (0925)

Hon. François-Philippe Champagne: That's a very good question, and I thank you for that.

I did meet with a number of people in the sector. We consult regularly, as you would expect. It's about the auto workers, and it's a very significant industry. The good thing you will know is that Minister Freeland and I belong to the same department, so we're joined at the hip. Our deputy ministers serve both ministers, so whatever we do on one track is very well coordinated with the track on NAFTA. Those are separate tracks, but I appreciate the views you express.

What I would say is that what we've achieved in the context of the TPP negotiations is this side letter, which I think gives Canadian auto manufacturers the greatest market access ever in Japan. The good thing with that is also that it's subject to an evergreen clause, so whatever Japan would grant to any other country, Canada would benefit from. This is to address non-tariff trade barriers. It's not about tariffs; it's about making sure that the non-tariff trade barriers would be addressed with respect to safety standards in particular.

We have negotiated a pretty lengthy letter. It's more than 10 to 15 pages, if I recollect, in terms of trying to achieve the outcome. That was one of the outcomes, not the only one, but one of the outcomes that the auto sector had wanted from us. As a result, that would give the greatest market access we have ever achieved with respect to the auto sector in this important part of the world.

We also have one side letter, as you know, with Malaysia and Australia to make sure that we can get access to these two markets, despite the fact that they might not meet the rules-of-origin content required. We're going to continue. I think for us, to be honest, to be part of that first group of countries.... Why I was saying that ratification is essential is that, as you know, other countries have expressed the will to join, and having Canada in that first group of countries, making sure that the terms of trade in that part of the world take into account Canada's interests, is key. We're going to be continuing to work to perfect that and to work with the auto sector.

Mr. Colin Carrie: With NAFTA, we're seeming to get into a space where we're going to be having higher North American content, and with TPP, it appears to be lower content. As you go through to negotiate these two different agreements that you say are similar but on different tracks, this seems to be an area of contention. My question was regarding how you see those two reconciling themselves.

Hon. François-Philippe Champagne: I think there are two things. There are the auto manufacturers concerned about market access to the extent that, when I was talking to them, you can look at the auto market today or try to think of the auto market 20 years from now. As you know, this is a field that is evolving quite rapidly with autonomous vehicles and other things, and we'll see, because we know that the Detroit three, for example, export to China quite successfully. We'll have to see how this market evolves for them.

With respect to the auto parts manufacturers, which is also a big thing, their main export market is obviously the D3 market, which would be subject to the NAFTA rules. When you talk to the people in the sector, they say that what really matters to them are the rules of origin and the content requirement with respect to NAFTA. That's why we say it's on a separate track, because if you're part of the auto parts manufacturers today, you will have to comply with whatever NAFTA rules we agree to in order to be able to sell to the D3.

The access to the markets is really something where, if the D3 wanted to export in countries such as Vietnam, Malaysia, or Australia, how could they access that market?

The Chair: Thank you, Minister. That's time.

Minister, you mentioned the potential in Asia. As you know, our committee travelled to the ASEAN countries. It was a very, very productive and fruitful meeting. We're just doing our report—it should be done by Thursday, after which we'll be tabling it in the House—and we welcome your taking a look at it. We made a lot of observations about what we saw when we were in those countries. It's a huge market, with great potential.

We'll move to the Liberals.

Mr. Peterson, you have the floor.

● (0930)

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

Thank you, Minister and everyone, for being with us this morning.

I'll pick up from where Mr. Carrie left off, on autos, particularly auto parts.

I know that you met with some folks from Magna a couple of weeks ago. It was maybe the end of last week or the week before. Of course, Magna's head office is in Aurora. There are lots of operations in my riding. You were out Brampton way. What were the conversations like? What are their top issues? Both NAFTA and TPP are important, of course, but how are they merging the two? What were those conversations like?

Hon. François-Philippe Champagne: Indeed, I had a very fascinating tour of their facility there, looking at innovation and at how they contribute to all the innovation. I met with Magna's senior management.

By the way, Chair, let me just thank the committee for their work. When you meet people internationally and you come back with that feedback, it's very informative. We're trying to get as many data points as we can to inform our course of action.

The main discussion was really around Mercosur. They see particularly Brazil and Argentina as very attractive markets for the auto parts manufacturers. They see a lot of export opportunities. Obviously, they were sharing with me some of the non-tariff trade barriers they're facing, and were asking us to try to address them. These are very important markets. We know that. Our bilateral trade with Brazil is around $6 billion. Those are quite significant markets.

As we look at the uncertainty in some established markets, the opportunity or the possibility to expand in new markets is becoming quite relevant. To go back to the question from our colleague, I think you see people looking more and more to other markets as they see how the global trade environment will evolve with, for example, the section 232 investigation just recently launched on the automobile sector.

I think what you find from people in this sector is "eyes wide open". They're looking at all opportunities that may present. We did talk about a number of issues around customs procedures, taxation, trying to facilitate that, and the willingness for them to invest more if they could get the certainty and predictability in those markets. Overall, I think the sentiment was encouraging us to push further in these negotiations and to try, I think like everything in trade, to be first. We need to open markets.

To go back to our colleague's question, whatever uncertainty may exist, when you open up new markets and you provide certainty, that's what business is looking for.

Mr. Kyle Peterson: I know that they appreciated your time and meeting with you.

I'd like to speak more generally about the capacity of Canada and Canadian SMEs to tap into free trade agreements. I mean, getting an agreement is one thing, but then it's about leveraging that agreement to the benefit of SMEs—and Canadian employees, by that token. Do we have the capacity to do so? What role do you see the new Invest in Canada playing in making sure we're getting the requisite amount of FDI in Canada to help us leverage these trade agreements?

Hon. François-Philippe Champagne: I think there are two parts to your question.

First, how can we help SMEs take advantage of the trade agreements? My famous phrase is that's about converting paper into jobs and prosperity. I think we all have a role. In particular, I think of the members of this committee. We should, if I may, always encourage you to talk about that. We signed CETA, which came into force. We now have the CPTPP. We're looking at Pacific alliance and Mercosur. We did Ukraine and Israel. There is still a lot of work to make sure that SMEs across Canada take full advantage of these agreements.

When it comes to FDI, clearly we created Invest in Canada because we wanted to be best in class, understanding that today's world is very dynamic. We know that we have organizations at the municipal level and at the provincial level that we're somehow trying to attract. As I keep saying, it's like when we go to the Olympics: we all put on the same jacket, the one with the maple leaf on the back. This was to have an organization that would coordinate the efforts being made by everyone to attract more, to have signature events, for example, and to make sure that we offer a concierge service. I keep telling investors to think of me as their concierge in Canada. But I'm not the only one. We have a concierge service to make sure that when they come, they can navigate through the different things, whether it's federal, provincial, or municipal.

This is the thing: we are in competition with a lot of people. When I go abroad, I make sure to talk about the superclusters. It's a great announcement. It's a great action we did. It's a great thing that Canada is investing in these things, but we need to make it known around the world. That's why you see artificial intelligence becoming the buzz term. I was at the C2 in Montreal and I was with Samsung Electronics at their hub in Toronto. We need to make these things known, whether it's on the Atlantic coast with ocean technologies or it's the other superclusters.

● (0935)

Mr. Kyle Peterson: Thank you.

The Chair: Thank you, Mr. Peterson and Minister.

We have time, probably, for two more MPs, and we're going to have two three-minute slots.

Mr. Kyle Peterson: Two more Liberals?

The Chair: That was a nice try, but we're going to the Conservatives.

Welcome, Mr. Paul-Hus. You have the floor for three minutes.

[*Translation*]

Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chair.

Mr. Minister, I recognize your boundless enthusiasm, especially when it comes to Canada's progressive trade agenda.

Now, we see that the free trade agreement with the EU, the CETA, is problematic. It is in effect, but it doesn't work. Contrary to what was envisaged, Canadian companies are not inclined to do business with Europe. I met the EU ambassador recently, and he was really upset. He is trying to understand why Canadian companies aren't moving.

You want to develop a free trade agreement with countries that are more or less politically stable and where there are often corruption problems. You want to apply the same progressive trade agenda there. Don't you think problems will arise?

Companies do business. If you're proposing or promoting a trade program like this, aren't there going to be barriers that, in the end, won't get us anywhere?

Hon. François-Philippe Champagne: There are two parts to your question.

First, on the CETA, there is only one Minister of International Trade, but there are over 300 of us in the House of Commons. I invite all my colleagues to promote this agreement. This isn't a partisan or political issue. All our ridings have small and medium-sized businesses that can benefit from this agreement. Obviously, there is always a duty to inform. I have spoken at almost every chamber of commerce to encourage people to take advantage of this opportunity and to seize the opportunities that are available to them. For example, in order to promote trade, a website displays all calls for tenders from the EU.

On the second part of your question, I would say that it is important to open up markets within Mercosur, which is the fifth largest economic bloc in the world. I can assure you, Mr. Paul-Hus, that the progressive aspects are part of the equation. Even the countries in that region have asked that this be part of the agreement. The 21st-century agreements take into account the environment and labour law. In my opinion, this is a step forward. People want to ensure that the level is raised so that we can compete on an equal footing. The last thing we want is lower standards with other countries to make competition more difficult. By signing such agreements, we raise the bar for everyone. Under these conditions, Canada is very competitive.

Mr. Pierre Paul-Hus: In our current trade of $8.9 billion, Canadian exports represent $2.3 billion and Canadian imports, $6.6 billion.

If we had a free trade agreement with Mercosur, what difference would there be in terms of exports?

Hon. François-Philippe Champagne: This will certainly help Canadian exports. Canada imposes most-favoured-nation tariffs, or MFN. On average, Canadian tariffs are 4.1%, while Mercosur tariffs are 13.7%.

Like me, you come from Quebec. The rates charged for our forest products are 35%. This is also the case for the automotive sector. It goes without saying that eliminating or reducing these rates would make us more competitive. I think the reason we're seeing some imbalance today is that the rates are so high that it makes it difficult for our products and services to compete in local markets.

Mr. Pierre Paul-Hus: Thank you.

[*English*]

The Chair: Thank you, Minister.

We're going to the NDP.

Go ahead, Mr. Blaikie, for a couple of minutes.

Mr. Daniel Blaikie: Thank you very much.

We've heard from a number of stakeholders. Actually, I believe the Canadian Agri-Food Trade Alliance has been at this committee to say that a trade agreement with Mercosur is not a priority right now and that they're more concerned about NAFTA and getting NAFTA right.

What's the real justification for diverting your attention away from the NAFTA file? Is it an ideological commitment to getting another trade agreement, or is it busy work for a junior trade minister who's not on the most important file, which is NAFTA right now? We had an important announcement last week on the new tariffs, and of course it wasn't you at the podium. It was the Minister of Foreign Affairs.

Is the Mercosur agreement just partly for the government to be able to say that our trade minister isn't on the most important file because he's off somewhere else? What exactly is this sense of urgency for the Mercosur deal, when there is so much else going on with the trade file that you're not involved in?

● (0940)

Hon. François-Philippe Champagne: I think I'll quote you. If you think CETA is not important, with 500 million consumers, and if you think CPTPP is not important—

Mr. Daniel Blaikie: That was negotiated before you became the minister, so it was actually—

Hon. François-Philippe Champagne: If you don't think it's important, CPTPP is 14% of the world economy and 500 million people—

The Chair: Mr. Blaikie, let him answer the question.

Hon. François-Philippe Champagne: I will just say that we'll quote you on that when we refer to it.

What I can say is that, with respect to agricultural products, we heard from stakeholders who want us to open markets, for example, the pork industry. If I look at cereals and grains and animal feed, people want to export. We know that the tariffs are high. Our job is to make sure we open markets.

To your point, people understand that when you have a team, different people on the team work on different things. As for my goal, it's not about me; it's about Canadians, about your constituents. When we say we have preferential market access to 1.2 billion consumers, that's what makes the difference.

I agree with you. It may not be the largest trade bloc, but it's the fifth largest in the world. Somehow, I think, for Canadians...either we stay home and say we're satisfied with what we have...but you can't blame me for being ambitious and always trying to find a new market for Canadians. If I look at people in your riding, in particular, whether it's machinery or equipment, whether it's auto parts, whether it's forestry we're talking about...I come from a rural background. If you were to say this to the guys in the forestry sector, they would probably take exception to that because they want to expand markets.

It's not about me; it's about us. It's about Canadians. My job is to make sure we open as many markets as possible. With the deputy minister, and Ana, I think we have enough people to do all that at the same time, and I think we should all cherish that. It's not a political statement. As I said, we represent 0.5% of the world population.

Mr. Daniel Blaikie: Is it good for Canada, though, if people at the table with our trade minister feel that you're not the final decision-maker?

Hon. François-Philippe Champagne: In a government—

Mr. Daniel Blaikie: Don't people want to feel that they're actually negotiating with the person who makes the decisions?

Hon. François-Philippe Champagne: With respect, it's not about being the final decision-maker. This is not a badge on my wall.

Mr. Daniel Blaikie: No, it's not about you. It's about how Canada is being represented in—

Hon. François-Philippe Champagne: It's about making sure that Canada remains competitive.

The Chair: Gentlemen, we have time for one more question from the Liberals.

Mr. Samson, my colleague from Nova Scotia, I'm glad to see you here.

[*Translation*]

Mr. Darrell Samson (Sackville—Preston—Chezzetcook, Lib.): Thank you very much.

[*English*]

The Chair: You say you have one question. That will tidy us up for this morning.

[*Translation*]

Mr. Darrell Samson: Thank you very much, Mr. Chair.

Mr. Minister, I want to begin by congratulating you on your presentation and the work you're doing. This is exceptional for Canada, but is also essential for Canadian businesses and for Canadians.

As you clearly pointed out, beyond the free trade agreement itself, it is the influence that such an agreement can have on other countries and the values that it can transmit on a global scale that are of great importance.

The Comprehensive Economic and Trade Agreement between Canada and the EU has been very beneficial, with the EU eliminating tariffs on 98% of its tariff lines. This was felt especially in the fisheries sector. Nova Scotia fishers, especially lobster fishers, are very happy with that.

If we now turn to the Mercosur bloc, how would a free trade agreement benefit Nova Scotia's fishing industry? This agreement could also be very beneficial to the province.

[*English*]

Hon. François-Philippe Champagne: First of all, thank you for your kind words.

With respect to CETA, you're quite right. In terms of lobster, we were faced with a 25% tariff. Whether transformed or frozen, it came down to zero over three years. You can see that this is really making a difference in the lives of families, workers, and fishers.

Some of the Mercosur countries are big exporters of fish and seafood. I think the reduction of tariffs should allow them to gain access to a market that today is not really accessible, to come back to Mr. Blaikie's comment. Every time you reduce tariffs and try to make Canada more competitive, you provide an opportunity. That's what we've done in Europe. That's what we're doing in Asia-Pacific. That's what we're doing in South America. I can say in front of this committee that we'll always look for opportunities to expand markets.

I keep coming back to this. If you're 0.5% of the world population and 2.5% of global trade, you need open markets. That's why, at the WTO this week, we were leaders. To your point, Mr. Blaikie, Canada was a leader in talking about reform and modernization of the world trade order. We depend on open markets for our current and future prosperity. I think we have the wherewithal. We have the civil service. We have all the experts needed to do all these negotiations at the same time and make sure we open markets.

With respect to fish and seafood, I think you will see positive news coming. The officials were telling me that the tariff we're facing currently is about 16%. So you start saying that if we can reduce or eliminate these tariffs, somehow we will become competitive. To Mr. Blaikie's point, you see that in the CETA on the fishery sector in Atlantic Canada. I think you know that better than I do, Darrell. It's really making a difference in the lives of families in this season and for the future.

● (0945)

[*Translation*]

Mr. Darrell Samson: Thank you.

[*English*]

The Chair: Thank you, Mr. Samson.

That pretty well wraps up our time, Minister. Thank you for coming, and especially our officials. When we travel we always hear that we have some of the best negotiators in the world. We appreciate them, and we appreciate everybody who is back here in Ottawa making the snowballs for us as best they can. You always try to make it here for us, and you're open to any questions on the floor also. Good luck.

Committee members, Thursday we're going to review the report of the ASEAN trip so we can get it into the House in the coming week.

The meeting is adjourned.

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